Al Safwa Islamic Financial Services (PJSC)

Unconsolidated financial statements
For the year ended 31 December 2010

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of Al Safwa Islamic Financial Service for the year ended 31 December 2010.

Al Safwa Islamic Financial Services (PJSC) ("the Company") was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Companies Law No. 1984. The registered office of the company is P.O. Box 185085, Dubai, United Arab Emirates.

In order to diversify its business, the company has established Al Safwa Capital in the Emirates of Sharjah as a fully owned subsidiary. The Subsidiary has been granted license to undertake projects in Investment, Finance, Manufacturing, and Trading Activities. We hope that establishment of Al Safwa Capital would help the company to play its due role in the year to come. The company is intending to expand its operation to GCC Markets and necessary work has been done, our IT System has been upgraded to accommodate regional trade. It is expected that situation in 2011 will improve and the company perform better.

Financial Results

The year to 2010 proved difficult for the corporate sector in UAE and all over the world, equity & real estate markets remained subdued. The investors' confidence couldn't be restored. Real Estate remained under pressure and prices declined further. The company performance in Brokerage was improved as it increased its market share, declare profit on operation. The company, as whole, declared loss of AED8.90 million due to decline in Property Prices. We foresee an improvement in the economic activities in the country and at global level and hope that company would achieve its desired objective in providing better services to its clients and improve its profitability. Our Board Comprise of the following;

Directors

The Board of Directors comprises:

H.H Sheikh .Abdul Aziz Bin Humaid Bin Rashed Al Nuaimi	Chairman
H.E Sheikh Mohammad Bin Ali Bin Rashed Al Nuaimi	Vice Chairman
H.E Khalifa Yousuf Khouri	Director
H.E Ali Hussain A. Al Sada	Director
H.E Murtadha Ahmed Sultan	Director
H.E Khalid Bin Saleh Al Rajhi	Director
H.E Khalifa Al Meheiri	Director

On behalf of the Board, I would like appreciate the services of the management and employees for their dedication and hard work and expect them to perform better in future.

Auditors

KPMG have been appointed as auditors of the Company. KPMG is eligible for re-appointment and has expressed their willingness to continue in office.

On behalf of the Board

Eng Yaqoub Ali Saeed
CEO

30 JAN 2011

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Independent auditors' report

The Shareholders
Al Safwa Islamic Financial Services (PJSC)

Independent auditors' report on the unconsolidated financial statements

We have audited the accompanying unconsolidated financial statements of Al Safwa Islamic Financial Services (PJSC) ("the Company") which comprise the unconsolidated statement of financial position as at 31 December 2010, and the unconsolidated statement of comprehensive income (on pages 4 and 5), unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with requirements and plan and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on auditors' judgment, including the assessment of risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and UAE Federal Law No. 8 of 1984(as amended).

Report on other legal and regulatory requirements

As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company and the contents of the Directors' report which relate to these unconsolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Article of Association having occurred during the year ended 31 December 2010, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

KPMG
Vijendranath Malhotra
Registration No: 48 B

30 JAN 2011

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Al Safwa Islamic Financial Services (PJSC)
Unconsolidated statement of financial position
As at 31 December 2010

	Note	**2010 AED**	2009 AED
Assets			
Non-current assets			
Property and equipment	*4*	**5,620,161**	6,004,514
Investment in subsidiary	*6*	**998,298**	10,000,000
Total non-current assets		**6,618,459**	16,004,514
Current assets			
Available-for-sale investment	*8*	**6,293,498**	-
Trade receivables, deposits, prepayments and other receivables	*9*	**58,154,382**	55,658,836
Amount due from related parties	*10*	**32,892,701**	36,821,349
Cash and bank balances	*11*	**22,057,388**	21,976,724
Total current assets		**119,397,969**	114,456,909
Total Assets		**126,016,428**	130,461,423
Equity			
Share capital	*12*	**129,841,748**	129,841,748
Statutory reserve	*12*	**1,934,871**	1,934,871
General reserve	*12*	**1,934,871**	1,934,871
Employees' performance share program	*13*	**(2,000,000)**	(2,000,000)
Accumulated losses		**(21,605,596)**	(8,790,699)
Total equity		**110,105,894**	122,920,791
Non-current liabilities			
Employees' end of service benefits	*14*	**371,593**	247,226
Current liabilities			
Trade and other payables	*15*	**12,883,711**	4,506,559
Amount due to related parties	*10*	**1,205,685**	1,166,575
Zakat payable		**1,449,545**	1,620,272
Total current liabilities		**15,538,941**	7,293,406
Total liabilities		**15,910,534**	7,540,632
Total equity and liabilities		**126,016,428**	130,461,423

The notes on pages 9 to 22 are an integral part of these unconsolidated financial statements.
These unconsolidated financial statements were approved and authorised for issue by the Board of Directors on January 30, 2011 and signed on its behalf by:

Chairman **Vice Chairman**

The report of the independent auditors' is set out on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 AED	2009 AED
Commission income		**4,849,452**	5,148,641
Other income		**244,362**	346,631
		-------------	-------------
Total income		**5,093,814**	5,495,272
Employees salaries and benefits		**(4,112,946)**	(3,377,190)
Bonus		**(2,269)**	(58,500)
End of service benefits		**(124,367)**	(123,709)
Advertisement and business promotion		**(155,270)**	(221,243)
Market expenses		**(280,239)**	(417,288)
Rent expenses		**(56,250)**	(264,045)
Professional fees		**(571,518)**	(605,509)
Repair and maintenance		**(39,959)**	(241,283)
Printing and stationery		**(59,378)**	(53,487)
Depreciation expenses		**(543,174)**	718,421
Utilities		**(92,998)**	(68,929)
Communication expenses		**(586,780)**	(676,298)
Bank charges		**(757,803)**	(752,324)
Other expenses		**(550,134)**	(710,045)
Reversal relating to trade receivables		**2,972,456**	6,044,431
		-------------	------------
Net income from brokerage operations carried forward		**133,185**	3,689,362

The notes on pages 9 to 22 are an integral part of these unconsolidated financial statements.

The report of the independent auditors' is set out on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of comprehensive income (continued)

For the year ended 31 December 2010

	Note	2010 AED	2009 AED
Net income from brokerage operations			
brought forward		**133,185**	3,689,362
Impairment on investment in subsidiary	*6*	**(9,001,702)**	-
Gain on investment at fair value through profit or loss		-	210,037
Gain on change in fair value of investment property		-	227,893
Net (loss)/profit for the year		**(8,868,517)**	3,689,362
Other comprehensive income for the year:			
Zakat paid for the year 2008		-	(1,772,790)
Zakat paid for the year 2009		-	(1,620,272)
Zakat for the year 2010		**(1,449,545)**	-
Total comprehensive (expense)/income for the year		**(10,318,062)**	296,300

The notes on pages 9 to 22 are an integral part of these unconsolidated financial statements.

The report of the independent auditors' is set out on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital AED	Statutory reserve AED	General reserve AED	Employees performance share program AED	Retained earnings / (Accumulated losses) AED	Total AED
At 1 January 2009	129,841,748	1,565,935	1,565,935	(2,000,000)	(8,349,127)	122,624,491
Total comprehensive income for the year	-	-	-	-		
Profit for the year	-	-	-	-	3,689,362	3,689,362
Other comprehensive expenses						
Zakat paid for 2008	-	-	-	-	(1,772,790)	(1,772,790)
Zakat paid for 2009	-	-	-	-	(1,620,272)	(1,620,272)
Other comprehensive expense for the year	-	-	-	-	(3,343,062)	(3,343,062)
Total comprehensive income for the year	-	-	-	-	296,300	296,300
Transactions with owners, recorded directly in Equity						
Transfer to statutory reserves	-	368,936	-	-	(368,936)	-
Transfer to general reserves	-	-	368,936	-	(368,936)	-
Dividend	-	-	-	-	-	-
At 31 December 2009	129,841,748	1,934,871	1,934,871	(2,000,000)	(8,790,699)	122,920,791

The notes on pages 9 to 22 are an integral part of these unconsolidated financial statements.
The report of the independent auditors' is set on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital AED	Statutory reserve AED	General reserve AED	Employees performance share program AED	Retained earnings / (Accumulated losses) AED	Total AED
At 1 January 2010	129,841,748	1,934,871	1,934,871	(2,000,000)	(8,790,699)	122,920,791
Total comprehensive income for the year	-	-	-	-		
Loss for the year	-	-	-	-	(8,868,517)	(8,868,517)
Other comprehensive expenses						
Zakat	-	-	-	-	(1,449,545)	(1,449,545)
Other comprehensive expense for the year	-	-	-	-	(1,449,545)	(1,449,545)
Total comprehensive expense for the year	-	-	-	-	(10,318,062)	(10,318,062)
Transactions with owners, recorded directly in Equity						
Dividend	-	-	-	-	(2,496,835)	(2,496,835)
At 31 December 2010	129,841,748	1,934,871	1,934,871	(2,000,000)	(21,605,596)	110,105,894

The notes on pages 9 to 22 are an integral part of these unconsolidated financial statements.
The report of the independent auditors' is set on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of cash flows

For the year ended 31 December 2010

	2010	2009
	AED	AED
Cash flows from operating activities		
Net (loss)/profit for the year	**(10,318,062)**	**3,689,362**
Adjustments for:		
Depreciation	**543,174**	718,421
Provision for employees' end of service benefits	**124,367**	123,709
Reversal against receivables	**(2,972,456)**	(6,044,431)
Impairment on investment in subsidiary	**9,001,702**	-
(Gain) / loss on investment at fair value through profit or loss	-	(210,037)
(Gain)/loss on change in fair value of investment property	-	(227,893)
Profit from Murabaha	**(244,362)**	(346,631)
	(3,865,637)	(2,297,500)
Change in trade receivables, deposits, prepayments and other receivables	**(2,229,504)**	3,359,926
Change in amount due from related parties	**3,928,648**	(20,761,830)
Change in customer deposits	**8,850,345**	107,354
Change in trade and other payables	**(13,252,075)**	(991,959)
Change in amount due to related parties	**39,110**	811,621
Zakat	**170,727**	(1,772,790)
Less: Employees' end of service benefits paid	-	(65,672)
Net cash used in operating activities	**(6,358,386)**	**(21,610,846)**
Cash flows from investing activities		
Acquisition of property and equipment	**(158,821)**	(154,615)
Disposal of Investment Properties	-	33,628,968
Proceeds from sale of held for trading investments		682,769
Additions to properties under development	-	(1,001,912)
Investment in Subsidiary	-	(10,000,000)
Profit received from Murabaha	**244,362**	346,631
Net cash from investing activities	**85,541**	23,501,841
Cash flows from financing activities		
Dividend paid	**(2,496,835)**	-
Net cash used in financing activities	**(2,496,835)**	-
Net (decrease)/increase in cash and cash equivalents	**(8,769,680)**	1,890,995
Cash and cash equivalents at 1 January	**17,589,731**	15,698,734
Cash and cash equivalents at 31 December	**8,820,051**	17,589,731
Cash and cash equivalents at the end of year comprises:		
Cash at bank and in hand	**22,057,388**	21,976,724
Client deposits (refer note 10)	**(13,237,337)**	(4,386,993)
	8,820,051	17,589,731

The notes on pages 9 to 22 are an integral part of these unconsolidated financial statements.
The report of the independent auditors' is set out on page 1.

1 Legal status and principal activities

Al Safwa Islamic Financial Services (PJSC) ("the Company") was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Companies Law No. 1984.

The registered office of the Company is P.O. Box 185085, Dubai, United Arab Emirates.

The principal activity of the Company is brokerage services in local shares and bonds.

On 14 July 2009, the Company has established a subsidiary by subscribing 10,000,000 shares of AED 1 each representing 100% equity share in Al Safwa Capital LLC incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no. 8 of 1984 (as amended).

2 Basis of preparation

a) Statement of compliance

The unconsolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of Federal Law No 8 of 1984 (as amended).

The Company also prepares consolidated financial statements separately in accordance with the requirements of IFRS.

b) Basis of measurement

The unconsolidated financial statements have been prepared on the historical cost basis except for investment at fair value through profit or loss and investment properties, which are stated at fair value.

c) Functional currency and presentation currency

The unconsolidated financial statements have been presented in UAE Dirham's ("AED"), which is also the functional currency of the Company.

d) Use of estimate and judgements

The preparation of the unconsolidated financial statements requires management to make certain judgement estimates and assumptions that affect the selection and application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

In particular, considerable judgment by management is required in determining the level of allowances for impairment of receivables and fair valuation of investment properties. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Significant accounting policies

The following accounting policies and methods of computation have been applied by the Company for all periods presented.

a) Revenue recognition

Commission income
The Company earns commission income sale and purchase of shares and bonds on behalf of customers. Commission income is recognised on an accrual basis when services are rendered and the right to receive is established.

Murabaha income
Murabaha income is recognised on an accrual basis using effective profit rate method.

4 Significant accounting policies (continued)

b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

With the exception of Capital Work in Progress, depreciation is charged, so as to write-off the cost over their estimated useful lives, using the straight-line method, as follows:

Furniture and Fixtures	3 years
Computers	3 years
Office	15 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

c) Subsidiaries

Subsidiaries are those enterprises, which are controlled by the Company. Control exist when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The results of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements and the interest of minority shareholders, if any, in the net assets of subsidiaries is stated separately. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences up to the date that control effectively ceases. In the unconsolidated financial statements, subsidiaries are stated at cost, less impairment, if any.

d) Offsetting

Financial assets and liabilities are offset and the net amount is reported on the balance sheet date only when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

e) Financial instrument

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables (except prepayments), cash and cash equivalents, unsettled trade creditors and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in income statement when incurred. Financial instruments at fair value through profit or loss are subsequently measured at fair value, and changes therein are recognised in income statement.

3 Significant accounting policies (continued)

e) Financial instrument (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are not designated as another category of financial assets. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is de-recognised, the cumulative gain or loss is transferred to statement of comprehensive income.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective profit method, less any impairment losses.

f) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of an asset measured at amortised cost is calculated as the differences between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective profit rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to income statement.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3 Significant accounting policies (continued)

h) Investment properties

Investment properties are initially recognized at cost, being at fair value of the consideration given and include acquisition charges associated with the investment. After initial recognition, investment properties are re-measured at fair value with unrealized gains or losses on investment properties reported in the income statement.

i) Development properties

Properties that are being constructed or developed for future use as investment properties are stated at fair value. These properties are classified as development properties until construction or development is completed, at which time the properties become investment properties. No depreciation is charged on development properties.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks for the Company and separate Bank accounts for advance received from its customers and short term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

k) Define contribution plan

UAE national employees of the Company in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme established pursuant to Federal Labor Law No. 7 of 1999. The only obligation of the Company in the UAE with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the income statement.

l) Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the UAE labour laws and is based on current remuneration and cumulative years of service at the balance sheet date.

m) Employees' performance share program

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the options are granted. The cost of equity-settled transactions with employees is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award (vesting date).

n) Zakat

Zakat is provided for in accordance with the Company's articles of association. The rate of Zakat for the year is calculated at a rate of 2.5% of net assets, in accordance with the resolution of the Board of Directors advised by the Company's Sharia' Committee.

o) Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising from foreign currency transactions are included in the income statement.

p) New standards and interpretations applicable to the company but not yet adopted

A number of new standards, amendments to standards and interpretation are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these unconsolidated financial statements.

The following are the new standards which will be applicable to the Company but are not yet adopted:

- IFRS 9 Financial instruments (effective 1 January 2013)
- IFRS 7 Financial instruments- Disclosures (Improvements) (effective 1 January 2011)
- IFRIC-14 (Amendments) The limit on Defined Benefit Assets, Minimum Funding Requirement and their Interaction (effective 1 January 2011)
- IAS 1 Presentation of financial statements (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- IAS 24 (Revised) Related Party Disclosures (effective 1 January 2011)
- IAS 32 (Amended) Financial instrument Presentation (effective 1 February 2010)

The new standards, amendments to standards and interpretation are unlikely to have any material financial impact on the Company's unconsolidated financial statements other than for changes in presentation.

q) Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

<u>Investment securities</u>

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date. In accordance with IAS 39, all the investments are stated at their fair values. The fair value of investments in recognized financial markets is their quoted price. Where the investments are not traded in an active market, traded in small volumes, or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis or maintainable earnings models or other reliable valuation methods. Investments whose fair value cannot be reliably measured are carried at cost (being the most recent estimate of fair value) less any impairment losses.

r) *Fair value hierarchy*

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4 Property and equipment

	Computers (AED)	Furniture and Fixture (AED)	Office building (AED)	Capital work-in-progress (AED)	Total (AED)
Cost					
Balance at 1 January 2009	2,457,387	579,029	6,015,000	-	9,051,416
Additions	130,971	27,850	-	-	158,821
Disposal and write-offs	-	-	-	-	-
Balance at 31 December 2009	**2,588,358**	**606,879**	**6,015,000**	**-**	**9,210,237**
Accumulated depreciation					
Balance 1 January 2009	2,274,279	505,656	266,967	-	3,046,902
Depreciation for the year	98,408	42,667	402,099	-	543,174
Balance at 31 December 2009	**2,372,687**	**548,323**	**669,066**	**-**	**3,590,076**
Net book value					
At 31 December 2010	**215,671**	**58,556**	**5,345,934**	**-**	**5,620,161**

	Computers (AED)	Furniture and Fixture (AED)	Office building (AED)	Capital work-in-progress (AED)	Total (AED)
Cost					
Balance at 1 January 2009	2,395,957	485,844	-	6,015,000	8,896,801
Additions	61,430	93,185	6,015,000	-	6,169,615
Disposal and write-offs	-	-	-	(6,015,000)	(6,015,000)
Balance at 31 December 2009	**2,457,387**	**579,029**	**6,015,000**	**-**	**9,051,416**
Accumulated depreciation					
Balance 1 January 2009	1,943,815	384,666	-	-	2,328,481
Depreciation for the year	330,464	120,990	266,967	-	718,421
Balance at 31 December 2009	**2,274,279**	**505,656**	**266,967**	**-**	**3,046,902**
Net book value					
At 31 December 2009	**183,108**	**73,373**	**5,748,033**	**-**	**6,004,514**

5 Investment properties

Investment properties consist of undeveloped land.

	2010 AED	2009 AED
Undeveloped land		
Fair value at the beginning of year	-	14,249,127
Loss due to change in fair value during the Year	-	(6,695,809)
Disposals/transfer during the year	-	(7,553,318)
	-	-

Investment properties under development

Investment properties under development comprise as follows

	2010 AED	2009 AED
Properties in UAE		
Cost at the beginning of year	-	18,150,036
Addition during the year	-	1,001,912
Gain due to change in fair value during the Year	-	6,923,702
Disposals/transfer during the year	-	(26,075,650)
	-	-

On 31 December 2009, the Company has transferred all investments properties of AED 33.63 million with all risks and rewards to its subsidiary Al Safwa Capital LLC at fair value on the date of transfer in compliance with SCA Rules Chairman's Resolution No.(30/r) of 2009. The Company has obtained executive committee and Board approval for transfer of investments properties to subsidiary company. However the Company is in the process of transferring legal title of the property.

6 Investment in subsidiary

	2010 AED	2009 AED
At cost:		
Unquoted shares	**10,000,000**	10,000,000
Less: Impairment during the year (note 6.2)	**(9,001,702)**	-
	998,298	10,000,000

6.1 Detail of the subsidiary is as follows:

Name of subsidiary	*Country of Incorporation*	*Principal Activities*	*Effective ownership interest* 2010	2009
Al Safwa Capital LLC	UAE	Investment Company	**100%**	100%

6 Investment in subsidiary (continued)

6.2 Impairment in subsidiary is mainly due to downward movement in fair value of investment properties held by the Subsidiary. At 31 December 2010, the Subsidiary did not have any other significant investment.

7 Investment at fair value through profit or loss

	2010 AED	2009 AED
Equity investments – fair value through profit or loss		
Fair value at the beginning of year	-	472,732
Gain/(loss) on revaluation in fair value during the Year	-	210,037
Disposals during the year	-	(682,769)
	-	-

On 30 November 2009, the Company has transferred all investments in equity to Al Safwa Capital LLC with all risks and rewards at the fair value of AED 682,769 on the date of transfer. The Company has obtained approval from Securities and Commodities Authority ("SCA") for transfer of investments to subsidiary company.

8 Available-for-sale investment

In June 2008, the Company subscribed to 625,000 shares of the National Mass Housing Co. SAOC incorporated in Sultanate of Oman. These shares were allocated to the Company during the 2nd quarter 2010 and accordingly the amount has been transferred from other receivable. The cost of these shares was AED 6,293,498 (31 December 2009: AED 6,293,498) which represents an equity stake of 2.5%. The management believes that the fair value of this investment is not significantly different from its carrying value.

9 Trade receivables, deposits, prepayments and other receivables

	2010 AED	2009 AED
Receivable from customers (note 9.1)	**26,439,269**	23,302,730
Less: Allowance for impairment losses	**(2,290,302)**	(5,262,758)
	24,148,967	18,039,972
Other financial assets-margin deposits	**15,000,000**	15,000,000
Settlement due from Abu Dhabi Securities Exchange	**14,742,499**	592,463
Settlement due from Dubai Financial Market	**2,289,060**	14,228,711
Advance against investment	-	6,293,498
Prepayments	**1,045,576**	692,792
Refundable deposits	**50,750**	30,750
Other receivables	**877,530**	780,650
	58,154,382	55, 658,836

9 Trade receivables, deposits, prepayments and other receivables (continued)

Movement in allowance for impairment of receivables

	2010	2009
	AED	AED
At 1 January	**5,262,758**	11,500,000
Reversal for the year	**(2,972,456)**	(6,044,431)
Written off during the year	-	(192,811)
Closing balance	**2,290,302**	5,262,758

9.1 As at 31 December 2010, market value of securities held as collateral amounted to AED 32.00 million against above receivable.

10 Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 Related Party Disclosures. Related parties comprise shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Details of transactions carried out with related parties during the year ended 31 December 2010 are as follows:

	2010	2009
	AED	AED
Transactions with shareholders and subsidiary		
Commission income	**808,304**	2,824,030
Sale of investments and properties to subsidiary	-	33,309,825
Compensation of key management personnel		
Short term benefits	**600,000**	735,000
Long term benefits	**140,000**	190,000

Details of balances with related parties as at the balance sheet date are as follows:

	2010	2009
	AED	AED
Balances with related parties		
Amount due from shareholders	**8,257,469**	12,509,612
Amount due from subsidiary	**24,635,232**	24,311,737
	32,892,701	36,821,349
Amount due to shareholders	**1,205,685**	1,166,575

Due from shareholders includes past due balance of AED 7 million which are not provided for as these are considered to be recoverable.

11 Cash and bank balances

	2010 AED	2009 AED
At banks		
- Client deposits	**13,237,337**	4,386,993
- Company's bank balances	**8,796,603**	17,581,249
Cash in hand	**23,448**	8,482
	22,057,388	21,976,724

In accordance with the regulations issued by the Securities and Commodities Authority ("SCA") the Company maintains separate bank accounts for advances received from its customers ("clients' money"). The clients' money is not available to the Company other than to settle transactions executed on behalf of the customers maintaining deposits with the Company.

12 Share capital and reserves

	2010 AED	2009 AED
Authorised, issued and fully paid up:		
129,841,748 shares of AED 1 each	**129,841,748**	129,841,748

Statutory reserve

In accordance with United Arab Emirates Federal Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

General reserve

As required by the Company's article of association, 10 % of the profit for the year has been transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50 % of the paid up share capital or at the discretion of the share holders. This reserve is attributable at the discretion of the shareholders

13 Employees performance share program

During 2006, the Company established an Employee Performance Share Program (the "Program") to recognize and retain good performing staff. The program gives the employee the right to purchase the Company's shares at par value. The shares carry full dividend and voting rights, and the option can be exercised at any time from the stipulated vested dates on the condition that the employee is still under employment at the exercise date. There are no cash settlement alternatives and the options have no contractual expiry date.

The Company issued share options to a number of employees which are fully vested as at 31 December 2010. The options give the employees the right to purchase 50,000 shares (2009: 50,000 shares) at par value of AED 1 per share. The fair value of the option was nil (2009: AED nil) as of 31 December 2010.

A related party acquired 2,000,000 shares of the Company's shares on behalf of the Employees for the purpose of Employee Performance Share Program. The related party has confirmed that it is holding these shares on behalf of the Employees for this purpose.

14 Employees' end of service benefits

Movement of end of service benefits are as follows:

	2010	2009
	AED	AED
Provision at the beginning of the year	**247,226**	189,189
Provided during the year	**124,367**	123,709
Paid during the year	**-**	(65,672)
Provisions as at the end of the year	**371,593**	247,226

15 Trade and other payables

	2010	2009
	AED	AED
Advance from customers	**12,421,653**	3,430,418
Other liabilities	**462,058**	1,076,141
	12,883,711	4,506,559

16 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Director is responsible for day-to-day monitoring of the Company's exposure to each of the credit, liquidity, market risks and operational risks.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

16 Financial risk management (continued)

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's credit risk is mainly attributable to the facilities extended to the Company's customers. The exposure to credit risk on these facilities is monitored on an on-going basis by the management.

The Company has a policy in place under which each new customer is analysed individually for creditworthiness before the Company allows these customers to open a trading account with the Company.

The carrying amount represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 AED	2009 AED
Trade receivable, deposits, other receivables	**57,108,806**	54,966,044
Due from related parties	**32,892,701**	36,821,349
Cash and cash equivalent	**22,033,940**	21,968,242
	112,035,447	113,755,635

Cash and cash equivalent are daily clearance and settlement balances with the Banks. These balances are held in the UAE.

Impairment

The aging of trade receivables and related parties are as follows:

	2010 AED	2009 AED
Not past due	**-**	24,311,737
Past due but not impaired		
Past due 0-30 days	**5,215,289**	4,210,232
Past due 31-180 days	**2,417,626**	15,138,402
More than 180 days	**51,479,736**	10,405,514
	59,112,651	59,328,643
Less: Impairment	**(5,968,328)**	(5,262,758)
	53,144,323	54,065,885

Receivable considered doubtful have been fully provided, remaining of the debts are covered by adequate security. The maximum exposure to credit risk for financial assets is concentrated within GCC.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The financial liabilities of the Company comprise mainly unsettled payables to trader and related party which are non profit bearing with a maturity of less than six months. The contractual cash flows are not materially different from their carrying amounts.

16 Financial risk management (continued)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and profit rate, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The maximum exposure to market risk at the reporting date was:

	2010 AED	2009 AED
Available-for-sale investment (refer note 8)	**6,293,498**	-
Mudaraba Deposits	**15,000,000**	15,000,000
	21,293,495	15,000,000

i) Currency risk

The Company is not significantly exposed to currency risk because substantial transactions are denominated in the functional currency of the Company.

ii) Profit rate risk

The Company is exposed to profit rate risk on its profit bearing financial assets.

Sensitivity
Company held profit bearing variable instrument of AED 15,000,000 (2009: 15,000,000). An increase of 100 basis points as at the reporting date would have increased the net assets attributable to the Company and profit for the year by AED 150,000 (2009: AED 150,000). A decrease of 100 basis points would have has an equal but opposite effect.

iii) Equity price risk

Equity price risk arises from the change in fair value of equity investments.

Sensitivity
Company's equity investment is unquoted. For such investment classified as available for sale of AED 6,293,498 (2009: Nil). An increase of 100 basis points as at the reporting date would have increased equity by AED 62,935 (2009: Nil); an equal change in the opposite direction would have decreased equity by AED 62,935(2009: Nil).

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

To mitigate the operational risk, the Company has obtained fidelity and indemnity insurance cover against possible errors from its brokers while executing customers' orders for trades of securities in stock markets. Compliance with policies and procedures is supported by periodic reviews with the management of the business unit to which they relate.

16 Financial risk management (continued)

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Regulatory capital

The Company's lead regulator, Emirates Securities and Commodities Authority (SCA), sets and monitors the regulatory capital requirements of the Company. The Company's regulatory capital set by SCA is AED 30 million

There were no changes in the Company's approach to the capital management during the year. The Company has complied with all externally imposed capital requirements throughout the period.

17 Contingent liabilities and capital commitment

	2010 AED	2009 AED
Letters of guarantee	**50,000,000**	50,000,000

The Company has arranged bank guarantees amounting to AED 35,000,000 and AED 15,000,000 to the Dubai Financial Market ("DFM") and Abu Dhabi Securities Exchange ("ADX") respectively, for the Company's fulfilment of obligations under the contract / agreement with DFM and ADX (31 December 2009: AED 35,000,000 for DFM and AED 15,000,000 for ADX). The guarantees are secured against the margin deposit of AED 15,000,000 placed with Islamic Bank.

18 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in these unconsolidated financial statements.